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Livestock

Strategic Move by Hog Processor to Acquire Feed and Swine Companies 1999

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Report Highlights:

Maple Leaf Foods has acquired a western feed company and a western swine company to strengthen its position as Canada's largest hog processor and to ensure that it can obtain the quantities of slaughter hogs required for its newly opened hog processing plant in Brandon, Manitoba. The development continues a trend to consolidation and alliance within Canada's hog industry and points to reduced Canadian exports of live slaughter hogs to the United States and increased Canadian pork output.

Includes PSD changes: No
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Maple LeafPork, a division of Maple LeafFoods, Inc., Canada's largest hog processing company recently announced the purchase of a large western-based animal feed manufacturer and of western Canada's largest swine production company. The acquisitions will strengthen Maple LeafFoods' position in Canada's hog industry and are indicative of the industry trend to consolidation, partnership and alliance in the hog sector with a view to make Canada's expanding pork industry more competitive.

In mid-September 1999, Maple Leaf Foods acquired The Landmark Group, a Manitoba-based company with two major subsidiaries, Landmark Feeds Inc. and Elite Swine. Landmark Feeds, which reportedly has a 25% share of the prairie animal feed market, will join the Maple Leaf banner along with Shur-Gain, the company's eastern-based animal feed business. Elite Swine supplies services to hog producers who enter into business relationships with Landmark Feeds. According to press reports, Landmarks' vertical integration operations produce more than one million slaughter hogs per year. Industry observers claim the Landmark acquisition will give Maple Leaf a stronger position in the animal feed sector in western Canada and an increased share of the available supply of slaughter hogs. Maple Leaf Foods' new hog processing plant at Brandon, Manitoba opened in late August 1999 and the company hopes to be slaughtering about 45,000 hogs per week by the spring of 2000. Maple Leaf Foods' old plant in Winnipeg (capacity 21,000 per week) is still operational and is expected to remain so until November 1999. Maple Leaf Foods' hog slaughter capacity in Manitoba will increase by about 24,000 per week when the new plant is fully operational. According to the company, the plant is targeting a double shift after 3 years.

Maple Leaf Foods is expected to attract increased numbers of slaughter hogs for its new Brandon slaughter plant operation through Landmark Group contract and price mechanism agreements with producers. In addition, the company wants to stem the flow of live Canadian feeder hog exports (mostly from Manitoba) to the United States and feed and slaughter those hogs in Canada. In 1998, feeder hog exports accounted for 36% of total Canadian live hog exports to the United States of 4.1 million head. Hog slaughter expansion in Canada in 1999 has already reduced live slaughter swine exports to the United States which declined 30% in the first six months of 1999 compared to a year ago.

Maple Leaf Foods' also recently completed a major expansion and modernization of its eastern plant at Burlington, Ontario, reportedly increasing capacity by 1,500 hogs per day. The plant processes about 8,000 hogs per day, but can handle about 9,500 per day (47,500 per week) under extended hours.

Three companies account for about half of total Canadian hog slaughter and are dominant in western Canada--Maple Leaf Foods, Fletcher's of Red Deer and J.M. Schneider (see also CA9102). Estimates of total Canadian hog slaughter capacity vary, but information received from government and industry sources indicate that after the Maple Leaf Brandon plant is fully operational in the spring of 1999, total Canadian capacity could reach about 480,000 hogs per week, an increase of at least 10% over previous levels. Combined, these recent pork industry developments point to declining live hog exports and increased Canadian pork production.

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